



# **Judicial Council of California**

## **Administrative Office of the Courts**

Trial Court Financial Policies and Procedures

Procedure No.  
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# **GENERAL LEDGER**

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# General Ledger

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## 2.0 Purpose

The purpose of this policy is to establish uniform guidelines by which the trial court organizes its chart of accounts and general ledger to document financial transactions ensuring that financial reports clearly and accurately reflect the court's financial position.

## 3.0 Policy Statement

It is the policy of the trial court to establish an accounting system with a chart of accounts and general ledger that enable the court to record financial transactions with accuracy and consistency. The financial information contained in the general ledger shall be maintained in a manner that facilitates the preparation of reports that clearly and accurately reflect the court's financial position.

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## 4.0 Application

This procedure applies to all trial court employees and officials who are responsible for or participate in the financial operations of the court, and the accounting for court revenues and expenses.

## 5.0 Definitions

The terms defined below apply to this policy and are for the express purpose of interpreting this policy.

1. **Account.** A record of financial activities that shows additions and deductions to an entity's assets, liabilities, revenues and expenses.
2. **Accounting System.** The methods and records used to identify, assemble, analyze, classify, record and report transactions and to maintain accountability for assets and liabilities.
3. **Adjusting Entry.** An accounting entry made to prepare for closing the books at the end of an accounting period that recognizes an internal transaction and brings the general ledger current as of a specific date.
4. **Asset.** A probable future economic benefit obtained or controlled by the Trial Court as a result of past transactions (acquisitions) or events (transfers).
5. **Chart of Accounts.** The complete list or index of all the accounts used to record an entity's revenues and expenses. The chart of accounts provides a map of the accounting system.
6. **Closing Entry.** An accounting entry that transfers the balance of an operating account (i.e., a revenue or expenditure account) to a fund balance. After all closing entries are made, only balance sheet accounts have balances.

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7. **Credit.** An entry on the right side of an account constituting an increase to a revenue, fund, or liability account, or a deduction from an expense or asset account.
8. **Debit.** An entry on the left side of an account constituting an increase to an expense or asset account, or a deduction from a revenue, fund balance, or liability account.
9. **Equity.** The owned value of an asset, the difference between assets and liabilities (equity = assets – liabilities).
10. **Fixed Asset.** Tangible assets of significant value with a useful life of one year or more. Fixed assets are usually classified in four categories: land, structures and improvements, equipment, and construction in progress.
11. **General Fixed Assets Account Group.** A self-balancing group of accounts set up to account for the fixed assets used in the operations accounted for in governmental funds. This includes all fixed assets not accounted for in proprietary or trust and agency funds.
12. **General Ledger.** A record containing the accounts needed to reflect an entity's financial position and the results of operations. The general ledger may consist of the main ledger, sub ledgers, and other transaction documentation that combine to provide a complete financial profile. The general ledger links the chart of account to the accounting system.
13. **Journal.** A book, register, form or electronic record in which a transaction's effects are recorded.
14. **Journal Entry.** The entry of transaction data into a journal. Specific data that should be entered includes appropriate account numbers, transaction dates, transaction amounts (debits and credits), a transaction description, and who prepared the journal entry.

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15. **Ledger.** A group of accounts used to record the financial transactions of an entity.
16. **Liability.** A financial commitment to make a future payment or to provide services to another party in return for the receipt of some benefit.
17. **Sub-Ledger or Subsidiary Ledger.** A ledger that contains information on specific accounts that interacts with the general ledger (accounts receivable and accounts payable are common examples of sub ledgers).

## 6.0 Text

### 6.1 General Ledger

1. The trial court shall maintain separate and identifiable trial court general ledgers for the purpose of recording and reporting its financial activities.
2. The general ledgers are the hubs of the trial court accounting and financial system. All financial transactions shall be summarized and recorded in the trial court general ledgers.
3. Separate general ledgers shall be maintained for each type of fund used by the court. For example, separate general ledgers will be maintained for each of the following:
  - a. Trial Court Operations Fund to record all general trial court operations not associated with other trial court fund types.
  - b. Trial Court Special Revenue Fund to record all federal, state, local government or private grants provided to the trial court.
  - c. Trial Court Agency Fund to record all financial activities performed by the court on behalf of other government entities

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such as the collection of fees, assessments, fines, penalties, etc. for the county.

4. The general ledgers shall be supported by appropriate sub-ledgers that provide adequate and sufficient details of all summary entries.
5. Entries into the general ledgers flow from the sub-ledgers (such as accounts payable) or other journals.
6. The trial court general ledgers shall consist of general ledger accounts designed to identify and segregate different types of transactions in logical groups such as assets, liabilities, equity or fund balances, revenues and expenditures. The trial court shall document these general ledger accounts in its chart of accounts.
7. To the extent practical, the trial court shall adopt the AOC chart of accounts. When strict adherence to the AOC chart of accounts is not practical due to system or other local constraints, the trial court shall maintain a chart of accounts that provides a complete listing of all the accounts used in the accounting system. A detailed description of the type and purpose of each account should also be developed.
8. The level of detail provided by the accounting system is dependent on the number of accounts established in the chart of accounts. The trial court should establish an appropriate number of accounts to allow the court to make sound financial decisions. Too few accounts will not provide sufficient detail. Too many will render the accounting system difficult to manage and hinder the extraction of relevant information.
9. If the AOC chart of accounts is not adopted, the trial court shall match each applicable trial court general ledger account to the corresponding AOC account. Audit trails shall be documented to

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facilitate the conversion of the applicable trial court accounts into the corresponding AOC account.

10. The Quarterly Financial Statements (QFS) and Comprehensive Annual Financial Reports (CAFR) financial information must be prepared following the AOC format or all general ledger balances must be converted into such format prior to submission to the AOC. This is required to maintain consistency between all trial courts and to facilitate financial reporting.
11. For budgetary purposes, the trial court shall further categorize and summarize various general ledger accounts by program, component, element, and task.
12. The general ledgers should be balanced on a regular basis and not less than once a month. Trial balances shall be generated as part of this effort to verify that the sum of debit and credit entries during the period is equal.
13. When necessary, adjusting journal entries shall be prepared to adjust the accounts. All adjusting entries shall be adequately documented and shall require appropriate written management approval.
14. All nominal and budgetary accounts shall be closed at the end of the fiscal year, as the balance sheet accounts remain open and should be carried forward to the new fiscal year. Closing entries shall be used to transfer the balances in operating accounts (revenue and expenditure accounts) to fund balances. After closing entries are made, only balance sheet accounts should have balances. Budgetary accounts should also be closed along with the revenue and expenditure accounts.

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## **6.2 General Fixed Asset Account Group**

1. The trial court shall account for fixed assets that are not otherwise accounted for in the general ledgers of the Trial Court Operations Fund, Trial Court Special Revenue Fund or Trial Court Agency Fund in a “General Fixed Asset Account Group”.
2. The General Fixed Asset Account Group shall be used to track the following categories of assets:
  - a. Land.
  - b. Structures and improvements.
  - c. Equipment.
  - d. Construction in progress.
3. Trial court equity or ownership of these assets shall be recorded in “Investment in Fixed Assets” accounts that are set up according to the source of the fund used to acquire the assets. For example, the general ledger of each of the trial court’s three funds (Operations, Special Revenue, Agency) may include an Investment in Fixed Assets account to track ownership of specific assets recorded in the general fixed asset account group.

## **7.0 Associated Documents**

**None**